

## Review of SGS, Inc. Payments per Amended Contract Compared to Original Contract

7-30-13  
 Honorable Court  
 of Texas  
 Deputy

From August 2003 through October 2007, EPISD paid a total of \$4,346,500 to Strategic Governmental Solutions, Inc. (SGS) of which \$2,300,000 was for software development and \$2,046,500 was for reimbursements for MAC (for administrative costs) and for SHARS (for direct student costs).

EPISD received the following reimbursements for MAC:

Year ending 8-31-03	-0-
Year ending 8-31-04	-0-
Year ending 8-31-05	1,580,986
Year ending 8-31-06	153,775
Year ending 8-31-07	-0-
Year ending 8-31-08	-0-
Total Received	<u>\$1,734,761</u>

Less: Amount paid back to Texas Department of Health and Human Services (TDHHS) in February and March 2008 for MAC reimbursements overpayments

\$1,341,986

Net reimbursements after repayment to TDHHS

\$392,775

EPISD would have paid SGS the following:

\$392,775.12 x 7% for MAC

\$27,494

In the same time period, EPISD received the following reimbursement payments for SHARS:

Year ending 8-31-03	38,739
Year ending 8-31-04	1,894,531
Year ending 8-31-05	1,869,295
Year ending 8-31-06	3,185,555
Year ending 8-31-07	1,497,630
Year ending 8-31-08	<u>109,963</u>
Total Received	<u>\$8,595,713</u>

At EPISD's percentage rate per the original contract of 7 ½ % for SHARS reimbursements, EPISD would have paid SGS the following:

\$8,595,713 @ 7 ½ % to SHARS

\$644,678

Total earned under original contract for MAC and SHARS

672,172

Less: Amount paid to SGS, Inc., for MAC and SHARS

2,046,500

Overpayment to SGS, Inc., on SHARS and MAC reimbursements

\$1,374,327

The entire amount of the software "STARS" system to EPISD

2,300,000

Total overpayment to SGS, Inc.

\$3,674,327

